

# Warranties

OFFICE OF THE COMMISSIONER OF INSURANCE

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Before you make a major purchase, there is an important promise you should read. It's called the warranty. A warranty is the manufacturer's or seller's promise to stand behind a product. Warranties vary in the amount of coverage they provide. So, just as you compare the style, price, and other characteristics of products before you buy, you also can compare their warranties.

There is a federal law covering warranties called the Magnuson-Moss Warranty Act. The law requires that warranties be available for you to read before you make a purchase and that the warranty must be easy to read and understand. Every term and condition of the warranty must be spelled out in writing.

## Extended Warranties or Service Contracts

When you buy a car, home, or major appliance you may be offered a service contract. Although often called "extended warranties," service contracts are not warranties. To many consumers, buying an extended warranty is like buying peace of mind from repair hassle. Some consumers, however, may be paying for more protection than they need. Here are some questions to keep in mind when comparing warranties.

### *What does the extended warranty offer?*

An extended warranty, like a warranty, provides repair and/or maintenance for a specific time period. Warranties, however, are included in the price of the product, while extended warranties cost extra and are sold separately.

### *What should I consider when buying an extended warranty?*

Extended warranties come separately from the product, at an extra cost, and provide repair

and/or maintenance for a specific time period. To decide whether you need an extended warranty, you should consider several factors: whether the warranty already covers the repairs that you would get under the extended warranty, how long the extended warranty is in effect, and the reputation of the company offering the extended warranty.

### *What is covered by the extended warranty?*

An extended warranty may cover only certain parts of the product or specific repairs. Read the contract carefully. If it does not list something as specifically covered, assume that it is not. You may also be obligated to take certain action, such as notifying the company of problems.

### *Is the product likely to need repairs?*

You may not benefit from the extended warranty if the product is unlikely to need servicing or if the potential costs of repair is very low.

### *What other costs will I have?*

You may have other expenses after you buy an extended warranty. Extended warranties, like insurance policies, often have deductible amounts. You may be charged each time an item is serviced. Some expenses are limited or excluded. In addition, you may have to pay cancellation or transfer fees if you sell the covered product or wish to end the contract.

### *Where can you get service?*

If the extended warranty is offered by a local retailer or dealer, you may only be able to get local service. Some vehicle service contracts may have a mileage radius and procedures for repairs outside the radius. Read your contract to see what requirements apply. Consider the possibility that problems may develop while you are traveling or after you move away from the area.

## Written Warranties

The Magnuson-Moss Act requires that every written warranty on a consumer product that costs more than \$10 have a title that says the warranty is either “full” or “limited.” The title provides consumers with a key to some of the important terms and conditions of a warranty.

**Full Warranty.** If a warranty is labeled “full” it means:

- A defective product will be fixed (or replaced free of charge, and within a reasonable time, including removal and reinstallation if necessary).
- You will not have to do anything unreasonable to get warranty service (such as shipping a piano to the factory).
- The warranty is good for anyone who owns the product during the warranty period.
- If the product can’t be fixed (or hasn’t been after a reasonable number of tries), you get your choice of a new one or your money back.

Always check what parts the warranty covers. A full warranty doesn’t have to cover the whole product. It may cover only a part, like the picture tube of a TV.

**Limited Warranty.** A “limited” warranty gives you anything less than the full warranty requirements. A limited warranty may:

- Cover only parts, not labor.
- Allow only a pro rata refund or credit.
- Require you to return a heavy product to the store for service (such as a piano).
- Cover only the initial owner.
- Charge for handling.

A product may carry a full warranty on part of the product and a limited warranty on the rest.

Some warranties provide different coverage on some parts than other parts or different coverage during one time period than during another.

Warranties of this type are called “multiple” warranties.

## Implied Warranty

Implied warranties are rights created by state law, not by the company. The most common type of implied warranty is called a “warranty of merchantability.” This means that the seller promises the product will do what it is supposed to do. For example, a car will run, and a toaster will toast. If it doesn’t, you have a legal right to get your money back.

Another type of implied warranty is the “warranty of fitness for a particular purpose.” This applies when you buy a product on the seller’s advice that it is suitable for a particular use. For example, a seller who suggests that you buy a certain sleeping bag for zero-degree weather warrants that the sleeping bag will be suitable for zero degrees. Implied warranties do not cover problems such as those caused by abuse, misuse, ordinary wear, failure to follow directions, or improper maintenance.

An implied warranty on a used product is a promise that it can be used as expected, given its type and price range. As with new merchandise, an implied warranty on used merchandise applies only when the seller is a merchant who deals in such goods, not when a sale is made by a private individual.

Buying a product without a warranty may well indicate that the product is risky—low quality, damaged, or discontinued—and therefore, should be available at a lower price.

If your purchase does not come with a written warranty, it is still covered by implied warranties unless the product is marked “as is,” or the seller otherwise indicates in writing that no warranty is given. However, if you purchase a product as is and it proves to be defective or dangerous and causes personal injury to someone, the seller may still be liable under the principles of product liability.

## Express Warranties

Express warranties, unlike implied warranties, are not “read into” the sales contract by state law. They are promises or statements that a seller

voluntarily makes about a product or about a commitment to remedy the defects and malfunctions that some customers may experience. The seller explicitly offers the warranty to the customer in the course of a sales transaction.

Express warranties can take a variety of forms, ranging from advertising claims to formal certificates. An express warranty can be either orally or in writing. While oral warranties are important, only written warranties on consumer products are covered by the Magnuson-Moss Warranty Act.

## Spoken Warranties

Sometimes a salesperson will make an oral promise, for example, that the seller will provide free repairs. However, if this claim is not in writing, you may not be able to get the promised service. Have the salesperson put the promise in writing, or do not count on the service.

## Items to Consider

Many warranties do not cover “consequential damages.” This means the company will not pay for any damage the product caused, or your time and expense in getting the damage repaired. For example, if your freezer breaks and the food spoils, the company will not pay for the food you lost.

Some warranties will only provide coverage if you maintain or use the product as directed. A warranty may cover only personal uses—as opposed to business uses of the product.

Find out what the company will do if the product fails. Will they repair it, replace it or return your money?

Know exactly what the warranty does and does **not** cover. Ask if any expenses are excluded from coverage. Some warranties may require that you pay for labor charges. If the warranty requires you to return the product to the factory for servicing you may be responsible for postage charges.

## Preventing Problems

To minimize the chance of a problem with your warranty, take these precautions:

- Some extended warranty plans which provide repair and replacement services beyond what the product manufacturer offers are regulated by the Office of the Commissioner of Insurance. If you want to know if a warranty plan is licensed in this state, call (608) 266-0103 or toll-free 1-800-236-8517.
- Before you buy, read the warranty. In Wisconsin, some warranty contracts include a 15-day free look period. If you are not satisfied with the warranty, you may return it to the warrantor within this time and get a full refund less actual costs or charges needed to issue and service the warranty contract.
- Save the sales slip and file it with your warranty. You may need it later to document the date of your purchase or, in the case of a warranty limited to the first purchaser, to prove that you were the original buyer.
- Perform any maintenance or inspections required by the warranty.
- Use the product according to the manufacturer's instructions. Abuse or misuse of the product may cancel your warranty coverage.
- Find out how your extended warranty will be handled if the dealer goes out of business.

## Resolving Disputes

If you are faced with any problems with a product or with obtaining the promised warranty service, here some steps you can take.

- Read your product instructions and warranty carefully. Do not expect features or performance that your product was not designed to give, or assume warranty coverage that was never promised.
- A warranty does not automatically guarantee that you will get a refund if a product is defective. The company may be entitled to try to fix it

first. Also, if you report a defect to the company during the warranty period and the product was not fixed properly, the company must correct the problem, even if your warranty has expired.

- Discuss your complaint with the seller. If you cannot reach an agreement, write the manufacturer. Send all letters certified mail and keep copies.
- If a problem should arise and you would like to file a complaint, the following agencies may be able to help:

If you are unable to resolve a dispute with an extended warranty plan, contact: The Office of the Commissioner of Insurance, P.O. Box 7873, Madison, Wisconsin 53707-7873 or (608) 266-0103 (Madison) or 1-800-236-8517 (Statewide). For your convenience, a complaint form is included on OCI's Web site at [http://oci.wi.gov/com\\_form.htm](http://oci.wi.gov/com_form.htm).

If you cannot get satisfaction from either the seller or manufacturer, contact: Wisconsin Department of Agriculture, Trade and Consumer Protection, P.O. Box 8911, Madison, Wisconsin 53708-8911 or 1-800-422-7128.

If you have a problem with a vehicle manufacturer warranty plan, contact: The Department of Transportation, Dealer Section, at P.O. Box 7909, Madison, Wisconsin, 53707-7909 or (608) 266-1425.

- Most states have small claims courts. If the amount of money in dispute is relatively small, usually less than \$5,000, you can file a lawsuit in small claims court. The clerk of the small claims court can tell you how to bring your lawsuit and what the dollar limits are in the state.
- If none of these actions resolves your dispute, you may want to consider a lawsuit. The Magnuson-Moss Act allows you to sue for damages or for any other type of relief the court awards, including legal fees. A lawyer will be able to advise you whether to proceed with a lawsuit.